

Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1967

LIBRARY OF THE
LONDON GRADUATE SCHOOL
OF
BUSINESS STUDIES

BOOTS PURE DRUG COMPANY LIMITED

Notice of Annual Ordinary General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 13th day of July, 1967, at 12 o'clock noon.

The business of the meeting will be:

- (a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.
- (b) To declare a Dividend.
- (c) To elect Directors.
- (d) To fix the remuneration of the Auditors.
- (e) To transact any other business which may be dealt with at the Annual General Meeting.

Any member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead.
Dated this 15th day of June, 1967.

By Order of the Board,
H. T. MILNES,
Secretary.

Directors and Officers

Chairman W. R. NORMAN

Managing Director F. A. COCKFIELD

Deputy Managing Director K. D. WILLIAMSON

THE RT. HON. LORD COLERAINE, P.C.

R. C. M. DICKSON, M.P.S.

K. H. HARPER, M.P.S.

G. I. HOBDAY

SIR JAMES PITMAN, K.B.E.

M. J. VEREY

Secretary H. T. MILNES

Registered Office 37 STATION STREET, NOTTINGHAM

Bankers NATIONAL PROVINCIAL BANK LTD.

Auditors PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Birmingham and London

Report of the Directors

for the year ended 31st March 1967

The Directors submit their Seventy-ninth Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1967.

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £14,876,951 compared with £15,234,357 for the previous year and after tax amount to £8,843,233 as against £9,545,402. The Net Profits of Boots Pure Drug Company Limited amount to £6,416,829 compared with £6,146,553.

The Directors recommend the payment of a Final Dividend of 8% less tax, to Ordinary Shareholders on the register on 30th May, 1967. This together with the Interim Dividend already paid makes a total of 14% less tax, for the year. The details of these Dividends are shown gross in the Profit and Loss Account, together with Appropriations made by the Directors.

The Rt. Hon. Lord Coleraine, P.C., retires by rotation and offers himself for re-election.

The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have intimated their willingness to continue in office and a resolution as to their remuneration will be proposed.

The Directors gratefully acknowledge the vital part played by the staff in bringing about these results.

By Order of the Board

H. T. MILNES, Secretary

15th June, 1967.



New branches of Boots The Chemists.

Top: In the precinct off Kings Road, Chelsea, London.

Lower Left: Rebuilt shop, Princes Street, Edinburgh. Lower Right: In Kenilworth Shopping Precinct.

Statement by the Chairman Mr. Willoughby R. Norman

Results for the Year

Total world sales for the year amounted to £150,887,000 an increase of 5.7%. This is a lower rate of increase than last year and is due to the prices and incomes freeze and to the slower rate of economic progress in the country generally.

Profits before tax showed a marginal fall from £15,234,357 to £14,876,951 and as this is the first time our profits have fallen for many years the results must cause us disappointment. It was however an exceptionally difficult year in which everything seemed to conspire against us. The imposition of the Selective Employment Tax in the 1966 Budget has cost the Company £695,000 in the year under review, this being the net figure after setting off premiums received in respect of our manufacturing business. The crisis measures of July inevitably reacted on our sales, and the prices and incomes freeze restricted the extent to which the Selective Employment Tax and other cost increases could be recovered in prices. Despite all this we held our own up to the end of December. But the exceptionally mild winter which was to prove so beneficial to other people hit us very hard; sales of winter lines from cold and cough remedies to hot water bottles and antifreeze were severely affected. Dispensing too was adversely affected because there was a less than normal incidence of winter illness. The number of prescriptions dispensed showed only a small increase in January and actually fell in February and March, as they did for the country as a whole.

The fall in profit was in fact concentrated in the two months January and February when indifferent counter sales combined with poor dispensing figures. March however has shown a marked improvement in counter sales as winter is being left behind. This confirms our view, which is supported also by the departmental analysis of takings, that January and February were much out of character and that it was primarily the poor chemist weather which made it impossible for us to absorb the increased burdens placed on our shoulders by the Government and thus led to a decline in profit. These additional cost burdens in all amounted to nearly £½m. or more than twice our fall in profit.

On pages 24 and 25 of this report there is a much extended Ten Year Record where shareholders will find in a succinct form a lot of new information in anticipation of the proposed Companies Act.

Tax, Dividend and Profit Retentions

Tax, primarily Corporation Tax at 40%, absorbs £6,033,718 compared with £5,688,955 last year. The rise in the tax charge is due primarily to the replacement of the investment allowances, which were credited against tax, by the cash investment grants which are not regarded as a tax credit and which are on a much more restricted basis. Net profit after tax amounts to £8,843,233. This compares with £9,545,402 last year. After deducting minority interests the net profit available is £8,841,433. Having regard to the terms of the Government's policy on Prices and Incomes we recommend paying the same total dividend for the year as in the previous year, namely 14%. As 6% has already been paid by way of interim, the final will accordingly be 8%, the total covered 1.64 times.

This year the dividend must be provided gross; last year, under the Corporation Tax transitional arrangements, a large proportion of the tax deducted from the dividend was retained by the Company. After providing for the dividend, net profits retained in the group amount to £3,465,433. This is not comparable with last year's figure of £5,915,311 because of the change in the tax provisions relating to the dividend to which I have just referred.

Depreciation charged in arriving at the profits amounted to £3,267,000. Total cash flow therefore is approximately £6,732,000 and the Directors are satisfied that this sum is fully adequate for the needs of the business.



Top Left: The new and much bigger branch in Aylesbury, opened in the shopping precinct March 1967.
Top Right: Another shopping precinct branch—in Wembley.
Below: The enlarged shop in Dorchester, rebuilt on the original site and taking in adjoining property.

Statement by the Chairman—continued

Against this cash flow gross capital expenditure amounted to £8,122,000. Stocks show a small fall this year after the rise in previous years.

There has been a very big improvement in cash balances. At the end of the previous year the Group was overdrawn by £2,060,000 whereas there are now credit balances amounting to £374,000. For the most part this is due to the change in the pattern of dividends and tax payments in the two years.

Retail Sales

It has been another record year for Retail Sales. The result was an increase of 7% and while this was not as much as we had originally hoped for, it compares favourably with the national increase in retail sales for the calendar year 1966 of 4%. This 4% national increase in turnover is the lowest for 4 years and in any case rising prices account for most of it.

Our year started brightly and sales results were good until the end of September. From that point onwards, the curb on retail spending became increasingly evident and in the final three months of the financial year dispensing and chemist business generally were as I have already stated adversely affected by the mild winter. In all other departments our sales showed satisfactory results, particularly in the Toilet and Photographic sections where excellent increases have been achieved in spite of steadily mounting competition from other retail outlets.

The branch modernization programme continues to contribute to sales and to improve the image and attraction of our branches. Customers and our own staff alike are quick in their appreciation of these improvements and comment very favourably on them.

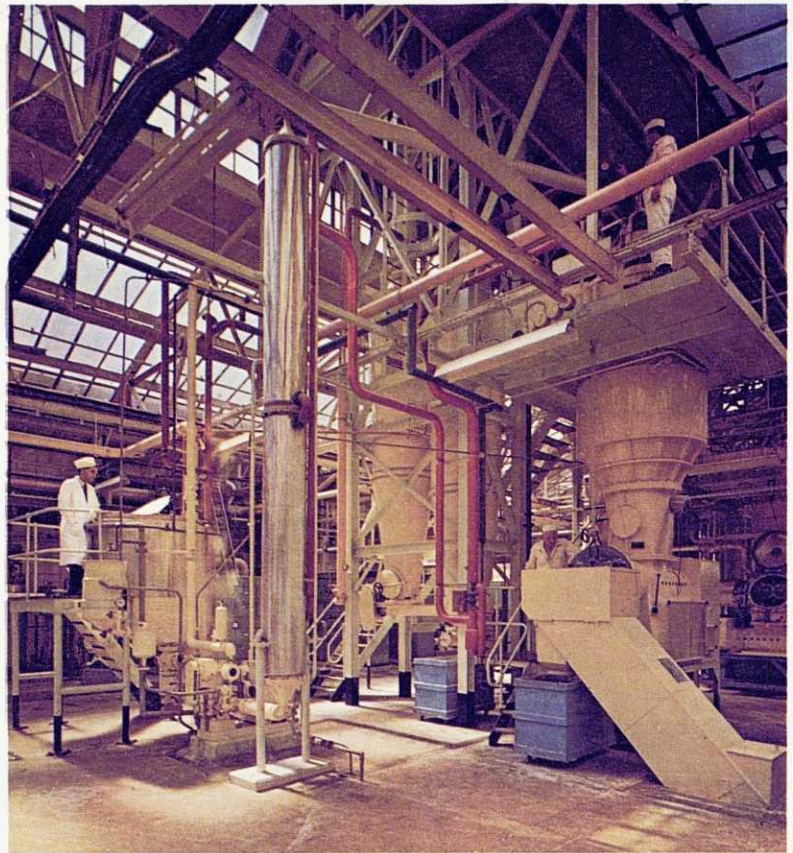
We have always been known for the value and quality of the goods we offer to the public. This is the cornerstone of our merchandising policy and we intend to make it even stronger in the years ahead. Equally customers must be able to rely on the help, efficiency and courtesy of our staff, and to this end we are devoting even greater effort to the training of staff, particularly the younger ones.

New Products

The increasing flow of Boots branded lines both from our own factories at Beeston and from the many manufacturers who support our buyers has had a significant effect on the year's trading results. This is particularly relevant in the wide range of Dietetic and Diabetic foods and sweeteners which are now a substantial part of our own brand range.

New medical lines introduced during the year included Dytransin, a new anti-rheumatic drug developed in our Research Laboratories, and initially made available to hospitals only. In view of its considerable success Dytransin has from 1st April of this year now been released to General Practitioners. Other products include our own brand of Rose Hip Syrup, Boots Sparkling Glucose Drink, two additions to our range of low calorie squashes, several forms of chocolate and biscuits for diabetics, and two new additions to our Number Seven toilet range—a hair colour shampoo, and Manyana, a new fragrance series which includes perfume, cologne and talcum powder.

In the agricultural field we have added to our well-known Cornox range of selective weedkillers two new products containing Benazolin, an original compound arising from our research. Benazolin is also being sold for agricultural use in countries overseas. Our new sheep blow-fly insecticide, Butacarb, which was first marketed in this country last year, is now being sold in Australia.



Top Left: Part of the new Insulin manufacturing plant. Top Right: A new soap drying plant. Below: The new automated warehouse for toilet merchandise. On the right of the picture two operators in moving cabs can be seen picking the merchandise.

Retail Development

Planning and licensing difficulties have had an increasing effect on our development programme this year and have caused the postponement of work on several big shops. We are in addition reaching the end of our current modernization programme. As a result we have spent on retail development in the year £4½ million compared with £5½ million in the previous year. During the year 114 branches have been modernised or extended. Included in this total are 9 new shops in areas in which the company has not hitherto been represented, 17 branches have been rehoused in larger premises and the remainder are rebuilds, enlargements or modernizations of existing shops.

Edinburgh now enjoys our entirely rebuilt large branch in Princes Street, and the reconstruction of our main Preston and Carlisle shops is complete. Large new shops have been opened in newly developed civic centres at Aylesbury, Solihull, Burnley and Keighley and modernization work is continuing in the main branches at Reading, Cheltenham, Manchester, Winchester and in the islands of Jersey and Guernsey.

The programme in the coming year promises to be somewhat smaller both in content and cost. Work will commence on large new shops in Doncaster, Croydon, Scarborough and Redhill, whilst the tail end of our modernization programme will continue as fast as restrictions and planning obstacles permit. We continue to take every opportunity to open new branches where they can be obtained on sensible terms, examples of which are Wokingham, Boston, Barrow-in-Furness and Ashton-under-Lyne amongst others. In all we expect in the coming year to complete 69 schemes at a cost of £3½ million.

Manufacturing and Other Developments

The large new automated warehouse on our Beeston site designed for the distribution of toilet merchandise to which I referred in my statement last year has now been completed and is in operation. It has eased significantly the strain on other warehousing facilities.

The new biologicals factory for the production of insulin and other glandular products, is also finished and in operation.

During the year we began construction on the second stage of our Head Office rebuilding. The first building which was completed in 1961 was constructed on our traditional site in the centre of Nottingham. But traffic congestion and site limitations led us to decide not to erect the second building on the same site but to build on land we owned in Nottingham adjacent to our Beeston factories. This new building which will house *inter alia* our computer installations and our export departments is now in an advanced state of construction and we expect it to be occupied this year. Designed by a firm of American architects and a leading British firm it will be a novel and very attractive building, completely air conditioned and providing excellent working conditions. We believe that the modern thinking and planning which has gone into it will make a significant contribution to the improvement of administrative efficiency.

Wholesale and Export Sales

At home our Wholesale sales increased to £4½ million, an increase of 10%. Sales to hospitals improved considerably due largely to the success of our new drug Dytransin, whilst our contract manufacturing business also expanded. This is, of course, an area of business which fluctuates more widely than those in which we have direct control of final selling.



Boots brand lines introduced during the year. Top: Diabetic products. Lower left: Toilet merchandise. Lower right: Pharmaceutical products and Boiled Sweets.

Statement by the Chairman—continued

Our range of nationally advertised 'over the counter' products has been extended by the successful launch of Top Score, a combined cosmetic and barrier hand cream, and we hope eventually to have a considerable range of these nationally advertised lines which should be obtainable at all chemists.

Direct exports at approximately £2,700,000 show a small fall compared with the previous year. Sales were adversely affected by political and economic difficulties in some of our more important markets and we had to face intense competition in the field of bulk chemicals. Exports of our medicinal and agricultural products on the other hand showed a very encouraging increase of 11% and believing that we have great scope in this field we intend to devote special attention to it.

Overseas Companies

It has not been a good year for our Overseas Companies. Sales have declined from about £4½ million to just under £4 million and profits (before adjusting for minority interests) from £472,000 to £367,000. The devaluation of the rupee in India accounts for more than the entire fall in sales and for most of the fall in profit. Sales and profits have also fallen in Pakistan due to the aftermath of the war and particularly the tightness of import control. The new factory in Pakistan is now in operation but this was not in time to ease the situation in the year under review. There has also been a fall in profit in Australia due primarily to the expenses incurred consequent upon moving into the new factory.

Although the results of the Overseas Companies taken as a whole for 1966 were not good we anticipate significantly better results in 1967.

Management Re-organization

The present Management Structure of the Company dates from 1920. Many detailed changes have been made since then to meet changing circumstances but the broad fabric has remained unaltered. That it should have lasted so well for a period of nearly half a century is a tribute to the fundamental soundness of the organization. Nevertheless we have felt that it would be worthwhile obtaining an independent outside opinion on the organizational structure and what changes needed to be made. Consequently in the course of 1965 we asked the Management Consultancy Division of our Auditors, Messrs. Peat Marwick Mitchell & Company to come in and advise us. Their Report which was received last summer was a comprehensive and valuable document. Briefly they recommended the creation of a central staff to direct the company as a whole and the establishment of operating divisions to cover each of our main activities namely Retail business, Pharmaceutical and Fine Chemical business, and International business. The period which has elapsed since then has been devoted to an intensive study of these recommendations and their adaptation to our specific needs where we felt this necessary. A start has now been made on implementing the proposals. We are confident that as the new management structure develops it will make an important contribution to the increased efficiency and profitability of the business.

Staff

The increase in turnover has been achieved with a reduction in the number of staff and our total staff in the United Kingdom does not differ significantly from what it was nine years ago, since when sales in money terms have increased by some 88% and in real terms by more than 50%. This increase in productivity is a reflection in part of greater mechanisation, improved facilities and better working methods. But it could not have been achieved without the willing and active co-operation of the staff and our thanks are due to them all for the considerable contribution they have made not just in the year under review but over a long period of time.



More new Boots brand lines.
 Top left: Pet and garden products. Top right: Photographic exclusives.
 Lower left: Top Score, the nationally advertised cosmetic and barrier hand cream.
 Lower right: Longflite luggage and 'high' fashion handbags.

Statement by the Chairman—continued

I dealt at some length last year with the Selective Employment Tax the shortcomings of which are many and well known and so I will not refer to it further except to say that in our retail business it has added 6½% to our wages and salaries bill.

Decimal Currency

While we agree with the principle of a decimal currency we think it a great pity that the Government have decided not to adopt the 10/- cent system. The arguments in favour of the 10/- system instead of the £ system have been deployed so effectively it is unnecessary to repeat them here. Certainly there can be no doubt that the 10/- cent system is much more readily understood by the shopping public than the £/cent system and would give rise to far fewer pricing problems when the changeover is made. Like the whole of the trading community we prefer the 10/- cent system and it would undoubtedly be the choice of the great majority of people in the country as well. In both Australia and South Africa where the same problem of decimalizing the £ had to be faced, the choice in both instances was in support of the 10/- cent system and experience in both countries has shown that this system works extremely well. The Government have failed to produce any convincing arguments in favour of their decision in favour of the £ unit, and it is unfortunate that decimalization which in itself represents a significant reform and simplification of our currency should be marred by such an unwise decision.

The Pharmaceutical Society

Shareholders may have seen reference in the newspapers to the case entitled 'Dickson versus the Pharmaceutical Society'. This case was brought by Mr. R. M. Dickson, our retail director, against the Pharmaceutical Society because it was felt that restrictive measures against justifiable developments were being taken against chemists, and the case was won in the Court of First Instance. The Society appealed but the Court of Appeal upheld the original decision by a unanimous verdict. They are now taking the case to the House of Lords, and as it is therefore still *sub judice* it would not be proper for me to make further comment.

Conclusion

I do not find the prospects for the coming year particularly encouraging. It is true that the year has begun reasonably well and it is certain that we shall continue to put on sales increases but the difficulty is, with increasing costs of all kinds and Government impositions and restraints, to produce from these sales the level of profit we would like to see for the growth of the business and the servicing of the capital entrusted to us by our shareholders.

For the country as a whole the combination of rising wages and controlled prices must produce falling profits and reduced investment, resulting in a slowing down in the whole private sector of the economy, and this is what is happening today. Once this trend is established it takes time to reverse it and to re-create confidence. All Government measures should be directed to the increase of productivity for this is the key to prosperity, leading to a higher standard of living for all and to the easing of inflationary pressures.

Our fortunes in the Boots group of companies reflect fairly closely the fortunes of the people in these islands and while the Board and Management are conscious of many improvements that can and will be made we earnestly desire to see a national economic policy where there are less restrictions, fewer onerous impositions, more incentives, reduced bureaucracy, and economic as well as political freedom for everyone. In such a climate a nationwide and nationally known company such as yours can better fulfil its historical role of giving value, range and service to its millions of customers.

Report of the Auditors

to the Members of Boots Pure Drug Company Limited

We have audited the Balance Sheet on pages 18 and 19 and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith. We have examined the Consolidated Balance Sheet on pages 16 and 17 and the Consolidated Profit and Loss Account on page 15. The accounts of certain Overseas Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and Consolidated Accounts, together with the Notes on pages 20, 21 and 22 comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1967, and a true and fair view of the state of affairs and of the profit of the Group.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

BIRMINGHAM & LONDON

9th June, 1967.

Dates and Facts to note

Dividend and Interest Payments

Ordinary dividends	Interim	<i>Announced early November. Paid early January.</i>
	Final	<i>Proposed mid May. Paid mid July.</i>
Loan Stock interest		<i>Paid end June, September, December and March</i>

Results

First half-year results	<i>Announced early November.</i>
Results for the year	<i>Announced mid May.</i>
Report and Accounts	<i>Circulated mid June.</i>

For Capital Gains Tax purposes the market value of Boots Ordinary Shares on 6th April, 1965 was 16s. 0d. and of the 6% Loan Stock 90 $\frac{3}{8}$.

Consolidated Profit and Loss Account

for the year ended 31st March 1967

(Incorporating the results of the United Kingdom Subsidiaries for the year ended 31st March, 1967 and of the Overseas Subsidiaries for the year ended 31st December, 1966)

	1967		1966	
	£	£	£	£
Profits of Boots Pure Drug Company Limited and of its Subsidiaries (Note 1)				
before charging Profit Earning Bonus for Staff		16,255,647		16,649,570
<i>Deduct Profit Earning Bonus for Staff</i>		<u>1,378,696</u>		<u>1,415,213</u>
Consolidated Profits before Tax		14,876,951		15,234,357
<i>Deduct Tax on Profits of the year (Note 2)</i>		<u>6,033,718</u>		<u>5,688,955</u>
Consolidated Profits after Tax		8,843,233		9,545,402
<i>Deduct Profit attributable to Minority Shareholders of Subsidiary Companies</i>		<u>1,800</u>		<u>889</u>
		8,841,433		9,544,513
Net Profits of the Group				
Profits retained in Subsidiaries	2,424,604		3,397,960	
Profits of Boots Pure Drug Company Limited	<u>6,416,829</u>		<u>6,146,553</u>	
		8,841,433		9,544,513
Dealt with as follows				
Ordinary Dividends (Gross) for the year—				
Interim of 6% already paid (1966 12%)	2,304,000		4,608,000	
Final Dividend of 8% making a total of 14% (1966 total 14%)	<u>3,072,000</u>		<u>768,000</u>	
	5,376,000		5,376,000	
Less retainable tax deducted from dividends	<u>—</u>		<u>1,746,798</u>	
		5,376,000		3,629,202
Profits retained in the Group and included in Revenue Reserves—				
Subsidiaries	2,424,604		3,397,960	
Boots Pure Drug Company Limited	<u>1,040,829</u>		<u>2,517,351</u>	
		3,465,433		5,915,311
		<u>£8,841,433</u>		<u>£9,544,513</u>

Consolidated Balance Sheet 31st March 1967

(Incorporating United Kingdom Subsidiaries as at 31st March 1967 and Overseas Subsidiaries as at 31st December 1966)

SHAREHOLDERS' FUNDS AND LIABILITIES	1967		1966	
	£	£	£	£
Capital of Boots Pure Drug Company Limited, Issued and Fully Paid				
Ordinary Shares of 5/- each		38,400,000		38,400,000
Capital Reserves		14,147,499		14,160,772
Revenue Reserves		21,015,960		17,605,127
		<u>73,563,459</u>		<u>70,165,899</u>
6% Loan Stock 1978-83		2,065,866		2,065,866
Interest of Minority Shareholders in Subsidiary Companies		208,449		233,462
Provisions:				
Pensions	927,426		927,426	
Deferred Tax in respect of Capital Allowances	1,984,985		1,659,107	
		<u>2,912,411</u>		<u>2,586,533</u>
Corporation Tax payable 1st January, 1968		5,597,327		5,411,690
Current Liabilities:				
Creditors	15,141,632		14,624,940	
Amount due to Bankers	402,230		2,628,862	
Final Dividend (Gross) on Boots Pure Drug Co. Ltd. Ordinary Shares	3,072,000		758,000	
		<u>18,615,862</u>		<u>18,021,802</u>
		<u>£102,963,374</u>		<u>£98,485,252</u>

The notes on pages 20, 21 and 22 form part of the Accounts

ASSETS

1967

1966

£ £ £ £

Fixed Assets:

Properties as independently valued or at Cost (*Note 9*):

Freeholds	40,576,041	37,324,395
Leaseholds	13,678,339	13,169,594
Fittings and Plant at Cost	33,663,538	30,959,003
	<u>87,917,918</u>	<u>81,452,992</u>

Less Provision for Depreciation and Amortisation:

Freeholds	3,278,434	2,620,642
Leaseholds	2,045,962	1,708,885
Fittings and Plant	15,058,819	13,713,157
	<u>20,383,215</u>	<u>18,042,684</u>
	<u>67,534,703</u>	<u>63,410,308</u>

Investments

Trade Investments at Cost, less amounts written off

8,001 9,725

Differences arising on consolidation through accounting years of Holding Company and Overseas Subsidiaries not ending on the same date

47,504 86,997

Current Assets:

Stock-in-Trade	26,269,885	26,523,861
Debtors, less provision	8,326,680	7,885,665
Cash at Bankers and in hand	776,601	568,696
	<u>35,373,166</u>	<u>34,978,222</u>

W. R. NORMAN
F. A. COCKFIELD

Directors

£102,963,374 £98,485,252

Balance Sheet 31st March 1967

SHAREHOLDERS' FUNDS AND LIABILITIES		1967		1966	
		£	£	£	£
Capital Authorised	Ordinary Shares of 5/- each	50,000,000		50,000,000	
Capital Issued and Fully Paid	Ordinary Shares of 5/- each	38,400,000		38,400,000	
Capital Reserve		3,236,850		3,308,922	
Revenue Reserve		9,372,423		8,344,211	
		51,009,273		50,053,133	
6% Loan Stock 1978-83		2,065,866		2,065,866	
Provisions:					
	Pensions	507,426		507,426	
	Deferred Tax in respect of Capital Allowances	877,378		827,802	
		1,384,804		1,335,228	
Corporation Tax payable 1st January, 1968		2,218,851		2,493,550	
Current Liabilities:					
	Creditors	12,535,009		12,012,343	
	Amount due to Bankers	—		2,110,837	
	Amounts due to Subsidiaries	5,700		5,800	
	Final Dividend (Gross) recommended on Ordinary Shares	3,072,000		768,000	
		15,612,709		14,896,980	
		£72,291,503		£70,844,757	

The notes on pages 20, 21 and 22 form part of the Accounts

ASSETS

1967

1966

£

£

£

£

Fixed Assets:

Properties as independently valued or at Cost (Note 9):

Freeholds 19,305,075 18,041,528

Leaseholds 1,259,758 1,247,137

Fittings and Plant at Cost 14,947,681 14,101,599

————— 35,512,514 ————— 33,390,264

Less Provision for Depreciation and Amortisation:

Freeholds 2,629,318 2,292,994

Leaseholds 307,887 282,869

Fittings and Plant 9,266,177 8,676,874

————— 12,203,382 ————— 11,252,737

————— 23,309,132

————— 22,137,527

Investments:

Ordinary Shares in Subsidiaries at par, less provision 10,567,744 10,639,887

Loans to Subsidiaries 9,532,750 9,592,000

Trade Investments at Cost, less amounts written off 415 225

————— 20,100,909 ————— 20,232,112

Current Assets:

Amounts due by Subsidiaries 11,247,467 11,612,611

Stock-in-Trade 10,990,437 11,244,282

Debtors, less provision 6,209,701 5,473,687

Cash at Bankers and in hand 433,857 144,538

————— 28,881,462 ————— 28,475,118

————— £72,291,503

————— £70,844,757

W. R. NORMAN

F. A. COCKFIELD

Directors

Notes on the Group Accounts

these form part of the Accounts

1 (a)

The Group Profits have been arrived at after taking credit for Income from Trade Investments £1,206 (£1,300) and after charging the following expenses:

	1967	1966
	£	£
Depreciation of Properties	1,167,095	1,055,539
Depreciation of Fittings and Plant	2,099,808	1,867,648
	<u>3,266,903</u>	<u>2,923,187</u>
Loan Stock Interest	123,952	123,952
Remuneration of Auditors	14,150	13,884
Companies' Payments to Pension Funds: Ordinary Contributions	915,083	860,271
Annual Payments for past service	132,808	126,259

(b)

The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

	1967	1966
	£	£
Directors' Fees	10,500	10,500
Other emoluments, including contributions under approved Pension Schemes	207,123	213,861
Pension paid to a past Director	1,000	1,000
	<u>£218,623</u>	<u>£225,361</u>

2 (a)

The amount charged for taxation consists of:

	1967	1966
	£	£
U.K. Corporation tax at 40%	5,655,268	5,475,690
U.K. Profits tax	—	15,817
U.K. Income tax	—	(46,422)
	<u>5,655,268</u>	<u>5,445,085</u>
<i>Deduct</i> Double taxation relief	57,941	64,000
	<u>5,597,327</u>	<u>5,381,085</u>
Transfer to provision for deferred tax	325,878	231,759
	<u>5,923,205</u>	<u>5,612,844</u>
Total U.K. taxes	5,923,205	5,612,844
Overseas tax	204,009	230,139
	<u>6,127,214</u>	<u>5,842,983</u>
<i>Deduct</i> adjustment for previous years	93,496	154,028
	<u>£6,033,718</u>	<u>£5,688,955</u>

(b)

Investment allowances have reduced the tax charge by £203,000 (£525,000). Estimated Investment Grants of £118,953 have been deducted from Fixed Assets and included in Debtors insofar as not yet paid.

(c)

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by Overseas Subsidiaries.

(d)

Deferred tax provision represents taxation on the excess of Capital Allowances (other than Investment Allowance) over the comparative depreciation charged against profits.

3.

The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1967. The losses on exchange due to the devaluation of the Indian rupee, other than those arising on the year's trading, amount to £183,824 of which £126,354 has been charged to Capital Reserves and £57,470 to Revenue Reserves. The Indian company's sales and profits for the whole year have been incorporated into the Group figures at the devalued rate of 21 rupees to the £.

4.

The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.

5.

The overdrafts of certain Overseas Subsidiaries amounting to £402,230 at 31st December, 1966, were secured on the assets of the Subsidiaries.

6.

Movements of the Reserves since 31st March, 1966, are as follows:

	Group		Boots Pure Drug Co. Ltd.	
	Capital £	Revenue £	Capital £	Revenue £
At 31st March, 1966	14,160,772	17,605,127	3,308,922	8,344,211
<i>Add:</i>				
Undistributed profits from Profit and Loss Account	—	3,465,433	—	1,040,829
Transfer between Reserves	1,130	(1,130)	—	—
Surplus on sales of properties	111,414	—	23,950	—
Miscellaneous Items	9,212	4,000	10,764	—
Premium on Share Issue (India)	1,303	—	—	—
Share Issue Expenses (India)	(9,978)	—	—	—
	<u>14,273,853</u>	<u>21,073,430</u>	<u>3,343,636</u>	<u>9,385,040</u>
<i>Deduct:</i>				
Loss arising on the devaluation of the Indian rupee (Note 3)	126,354	57,470	106,786	12,617
At 31st March, 1967	<u>£14,147,499</u>	<u>£21,015,960</u>	<u>£3,236,850</u>	<u>£9,372,423</u>

7.

The approximate amounts approved by the Directors in respect of capital expenditure not provided for in these accounts are as follows:

	Group £	Boots Pure Drug Co. Ltd. £
Contracts placed	5,627,000	2,270,000
Contracts not placed	829,000	360,000
Investment Grants	(99,000)	(99,000)
	<u>£6,357,000</u>	<u>£2,531,000</u>
<i>Last year</i>	<u>£7,557,000</u>	<u>£3,666,000</u>

8.

Boots Pure Drug Company Limited is not a 'close company' under the Finance Act 1965.

Notes on the Accounts—continued

9.

Summary of Fixed Assets showing revalued properties at valuation with subsequent additions at cost. Properties not revalued are at cost.

GROUP	Gross Book Value 31st March, 1966 £	Additions £	Disposals £	Gross Book Value 31st March, 1967 £	Accumulated Depreciation £	Net Book Value 31st March, 1967 £
Freeholds:						
Revalued 1958	10,456,080	31,662	44,436	10,443,306	2,154,763	8,288,543
Revalued 1965	22,834,946	1,137,232	162,130	23,810,048	696,056	23,113,992
Not Revalued	4,033,369	2,355,350	66,032	6,322,687	427,615	5,895,072
Total Freeholds	37,324,395	3,524,244	272,598	40,576,041	3,278,434	37,297,607
Leaseholds:						
Revalued 1958	981,988	7,096	—	989,084	198,902	790,182
Revalued 1965	9,182,795	113,576	77,963	9,218,408	476,394	8,742,014
Not Revalued	3,004,811	640,468	174,432	3,470,847	1,370,666	2,100,181
Total Leaseholds	13,169,594	761,140	252,395	13,678,339	2,045,962	11,632,377
Fittings and Plant	30,959,003	3,955,989	1,132,501	33,782,491	15,058,819	18,723,672
Less Investment Grants	—	(118,953)	—	(118,953)	—	(118,953)
	30,959,003	3,837,036	1,132,501	33,663,538	15,058,819	18,604,719
TOTAL FIXED ASSETS	£81,452,992	£8,122,420	£1,657,494	£87,917,918	£20,383,215	£67,534,703
BOOTS PURE DRUG CO. LTD.						
Freeholds:						
Revalued 1958	10,441,847	31,662	44,435	10,429,074	2,153,136	8,275,938
Revalued 1965	5,219,012	51,085	4,525	5,265,572	104,276	5,161,296
Not Revalued	2,380,669	1,229,781	21	3,610,429	371,906	3,238,523
Total Freeholds	18,041,528	1,312,528	48,981	19,305,075	2,629,318	16,675,757
Leaseholds:						
Revalued 1958	966,368	4,809	—	971,177	192,879	778,298
Revalued 1965	134,000	—	—	134,000	5,726	128,274
Not Revalued	146,769	13,068	5,256	154,581	109,282	45,299
Total Leaseholds	1,247,137	17,877	5,256	1,259,758	307,887	951,871
Fittings and Plant	14,101,599	1,306,089	341,054	15,066,634	9,266,177	5,800,457
Less Investment Grants	—	(118,953)	—	(118,953)	—	(118,953)
	14,101,599	1,187,136	341,054	14,947,681	9,266,177	5,681,504
TOTAL FIXED ASSETS	£33,390,264	£2,517,541	£395,291	£35,512,514	£12,203,382	£23,309,132

Included in the Group Total Leaseholds at Net Book Value is £5,795,250 for leases with 50 years or more to run. The corresponding figure for Boots Pure Drug Co. Ltd. is £833,756. Group Disposals have been increased by £187,335 and Accumulated Depreciation reduced by £54,790 due to devaluation of the Indian Rupee.

Principal active Subsidiary and Associated Companies

Wholly owned except as otherwise indicated

Incorporated in United Kingdom:

Boots The Chemists (Eastern) Ltd.
Boots The Chemists (Lancashire) Ltd.
Boots The Chemists (Western) Ltd.
Boots The Chemists (Southern) Ltd.
Boots The Chemists (Northern) Ltd.
Boots Farm Sales Ltd.
Boots-Ketjen Ltd. (60%)
British Saccharin Sales Ltd. (50%)

Incorporated overseas:

New Zealand	Boots The Chemists (New Zealand) Ltd.
South Africa	B.P.D. Manufacturing (Pty.) Ltd.
South Africa	B.P.D. (South Africa) (Pty.) Ltd.
India	Boots Pure Drug Co. (India) Ltd. (60%)
Pakistan	Boots Pure Drug Co. (Pakistan) Ltd. (51%)
Australia	Boots Pure Drug Co. (Australia) Pty. Ltd.
Nigeria	Boots Pure Drug Co. (Nigeria) Ltd.
Singapore	Boots Pure Drug Co. (Far East) Ltd.
Italy	Boots-Formenti S.p.A. (55%)

The Ten Year Record

These tables express in figures the progress made by Boots at home and overseas in the last ten years

in thousands of £'s

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Sales: Home Trade	76,334	80,111	86,682	95,443	102,032	106,017	113,555	123,550	136,060	144,786
Export	2,365	1,798	1,946	2,059	1,930	2,049	2,525	2,686	2,840	2,709
Sales of the Home Group	78,699	81,909	88,628	97,502	103,962	108,066	116,080	126,236	138,900	147,495
Sales by Overseas Subsidiaries	2,244	2,335	2,550	2,705	3,173	3,547	3,748	4,261	4,426	3,869‡
Less Sales by Home Group to Overseas Subsidiaries	(641)	(386)	(563)	(517)	(511)	(496)	(524)	(521)	(483)	(477)
Net World Sales	80,302	83,858	90,615	99,690	106,624	111,117	119,304	129,976	142,843	150,887
Profits before Tax	5,057	4,998	7,561	8,826	9,271	9,645	11,597	13,932	15,234	14,877
Profits after Tax	2,095	2,442	3,826	4,263	4,340	4,601	5,446	6,438 420‡	9,545†	8,843
Gross Preference Dividend	97	97	97	97	97	97	97	97	—	—
Gross Ordinary Dividend	1,843	2,048	2,688	3,072	3,072	3,328	3,840	4,608	5,376	5,376
Income Tax Retained	(824)	(864)	(1,080)	(1,228)	(1,228)	(1,328)	(1,526)	(1,900)	(1,747)	—
Net Undistributed Profits	968	1,150	2,118	2,322	2,399	2,504	3,035	4,053	5,915	3,465
Depreciation Charged	1,369	1,468	1,593	1,760	1,839	1,994	2,240	2,533	2,923	3,267
Cash Flow	2,337	2,618	3,711	4,082	4,238	4,498	5,275	6,586	8,838	6,732
Capital Expenditure (Note 9)	2,454	2,759	3,047	3,410	4,373	5,110	4,842	7,484	8,376	8,122
Amount of Profit Earning Bonus	415	464	702	820	861	896	1,077	1,294	1,415	1,379
Number of Staff in United Kingdom (full-time equivalents)	39,039	39,345	39,344	39,606	40,181	39,936	39,473	39,401	39,824	39,247
Number of Branches	1,310	1,313	1,307	1,305	1,298	1,290	1,284	1,270	1,268	1,266

‡ Profits attributable to earlier years. † After Corporation Tax 1966 onwards

‡ 1967 Sales by Overseas Subsidiaries have been reduced by £598,000 due to devaluation of the Indian rupee.

in thousands of £'s

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Fully Paid Preference Shares	1,400	1,400	1,400	1,400	1,400	1,400	1,400	—	—	—
Fully Paid Ordinary Shares	10,240	12,800	12,800	25,600	25,600	25,600	25,600	38,400	38,400	38,400
Capital Reserves	14,579	14,642	14,660	1,719	1,890	2,073	2,157	13,737	14,161	14,147
Revenue Reserves	9,887	8,465	10,582	12,904	15,304	17,784	20,487	11,664	17,605	21,016
Shareholders' Funds	36,106	37,307	39,442	41,623	44,194	46,857	49,644	63,801	70,166	73,563
6% Loan Stock 1978/83	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066
Minority Interests in Subsidiaries	—	—	—	—	—	—	—	5	233	208
Provisions for Pensions	1,020	1,020	1,020	1,020	1,020	1,020	1,020	927	927	927
Deferred Tax	580	684	687	680	693	708	1,133	1,578	1,659	1,985
Corporation Tax	—	—	—	—	—	—	—	—	5,412	5,597
Income Tax	2,128	1,867	3,005	3,443	3,495	3,526	4,269	5,079	—	—
Capital Employed	41,900	42,944	46,220	48,832	51,468	54,177	58,132	73,456	80,463	84,346
Profits as % of Capital Employed	12.4%	11.9%	16.6%	18.3%	18.3%	18%	20.2%	19.1%	19.1%	17.8%
Ordinary Dividends %	18%	16%	21%	12%	12%	13%	15%	12%	14%	14%
Equivalent % allowing for Scrip Issues	4.8%	5.3%	7%	8%	8%	8.7%	10%	12%	14%	14%

In arriving at profits as a percentage of capital employed, Loan Stock interest has not been deducted.

The Ordinary Share Capital reflects the scrip issues in the years to 31st March, 1959 (one for four), 1961 (one for one), and 1965 (one for two).

The figures reflect the results of the property revaluation shown in Note 9 and the redemption of the Preference Shares at 31st March, 1965.



BOOTS PURE DRUG COMPANY LIMITED